

BILL # HB 2449

TITLE: identity verification; driver licenses; documents

SPONSOR: Pearce

STATUS: House Engrossed

REQUESTED BY: House

PREPARED BY: Bob Hull

FISCAL ANALYSIS

Description

The engrossed bill would require that the Arizona Department of Transportation (ADOT) do an investigation if the department has reasonable grounds to believe that fraud exists by applicants for a driver license, driver permit or identification license. ADOT would be required to train employees to identify, retain and investigate suspected fraudulent documents, and develop procedures to forward chargeable offenses to the county attorney.

Estimated Impact

The JLBC Staff estimates that the bill could have an administrative cost of up to \$696,200 from the State Highway Fund in FY 2005. This upper end represents ADOT's cost estimate for 8 new FTE Positions having to perform more intense and time-consuming levels of investigation, follow-up and prosecution activities under the engrossed bill. While ADOT's estimated impact is possible, we were unable to confirm the accuracy of their workload measures. Once ADOT increases its assessment of fraudulent practices and investigator workloads under the engrossed bill, we may be in a better position to quantify ADOT's staffing needs for the increased workload.

Driver licenses may also be used as one form of identification to obtain other federal and state benefits. By reducing the fraudulent issuance of these documents, the bill would have the secondary impact of reducing fraudulent receipt of these other federal and state benefits. We have not been able to quantify the magnitude of this impact.

To the extent that the engrossed bill reduces the receipt of fraudulent driver licenses, it may also reduce Highway User Revenue Fund revenues.

Analysis

Currently, ADOT attempts to verify source documents by visually comparing them to reference manuals with examples of other state's and federal immigration documents. While visual comparison is the main method of verification, ADOT also electronically verifies social security numbers. If ADOT detects a suspected fraudulent document, they may copy the document for follow-up investigation before returning it to the applicant.

The engrossed bill would require that ADOT do an investigation if the department has reasonable grounds to believe that fraud exists by applicants for a driver license, driver permit or identification license. ADOT would be required to train employees to identify, retain and investigate suspected fraudulent documents. ADOT would have to hold a hearing upon request by an applicant, and develop procedures to forward chargeable offenses to the county attorney.

A September 2003 United States General Accounting Office study reviewed the use by state driver licensing agencies of on-line and batch verification of applicants' social security numbers. One finding of the study was that states that rely primarily on visual inspection of documents to verify applicants' identifies are at greater risk for identity theft and fraud in the driver licensing process, than if they could readily share all driver records with other states. The study does not place a magnitude on the amount of identity theft and fraud in the driver licensing process.

A driver license may be used as one form of identification for public programs (although it is not the only form of identification that would be suitable). We do not have an estimate on how often an individual uses a driver license as opposed to other forms of identification.

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Analysis (Cont'd)

ADOT estimates an implementation cost of \$696,200 to the State Highway Fund and 8 new FTE Positions in FY 2005, including continuing annual operating costs of \$427,700 and one-time costs of \$268,500. The \$268,500 one-time cost includes \$150,000 for 6 sedans, \$72,500 for one-time computers, desks and related equipment, and \$46,000 for computer programming. The 8 new FTE Positions would include 6 special investigators and 2 administrative assistants. ADOT reports that they currently have 3 investigator FTE Positions in the fraud unit, and open over 200 new driver license fraud cases per month. ADOT estimates that the engrossed bill would require a more intense and time consuming level of investigation, follow-up and prosecution activities for which they would need 6 additional investigator FTE Positions, plus 2 new administrative assistant FTE Positions for clerical support. ADOT estimates that the number of hours per case would increase from 2.5 hours currently to 6 hours under the engrossed bill, and that 10% of the 200 new cases per month would become felony investigations requiring an additional 16 hours each to resolve.

The engrossed bill would have a general effective date.

Local Government Impact

The Maricopa County Attorney's Office reports that they currently receive some of these cases and do not see a major impact from the engrossed bill at this time, since any increase in cases would be spread among the 15 counties. There may be some increased cost, but the Maricopa County Attorney's Office does not expect there to be enough to request additional resources from the County Board of Supervisors at this time. The Arizona Prosecuting Attorneys' Advisory Council also reports that they do not see a major impact from the engrossed bill.

4/6/04